

Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 TRSE-00 FRB-01 EB-03 FEA-01 NSC-07

NSCE-00 CIAE-00 INR-10 NSAE-00 RSC-01 L-02 PRS-01

PM-03 DODE-00 DRC-01 SPC-01 STR-01 OMB-01 INT-01

NEA-06 /065 W

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R 111820Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8598

INFO AMEMBASSY BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03081

LIMDIS

PASS TREASURY FOR S.Y.CROSS, F.L. WIDMAN AND FRB
BRUSSELS PASS TREASURY UNDER SECRETARY BENNETT

E.O. 11652: XGDS-1

TAGS: ENRG, EFIN, UK

SUBJECT: ENERGY COORDINATING GROUP MEETING, MARCH 13-14;

U.K. VIEWS ON DISCUSSION ECONOMIC AND MONETARY
MEASURES, ECG 8.

1. U.K. TREASURY DELEGATE WILL BE RUSSELL BARRATT,
DEPUTY SECRETARY, U.K. TREASURY. BARRATT GAVE TREASURY
REP BRIEF RUNDOWN AND EXPLANATION OF U.K. REPLIES TO
TERMS OF REFERENCE. U.K. BELIEVED DRAFTING OF
INITIAL TERMS OF REFERENCE WAS VERY WELL DONE.
RELATIVE BREVITY OF U.K. TREASURY REPLY IN ECG 8 SHOULD
UNDERLINE THIS POINT. HOWEVER A MAJOR U.K. CONCERN IS
TO AVOID ANY SUGGESTION THAT THE COORDINATING GROUP WILL
EXERCISE A SUPERVISORY ROLE OVER THE ACTIVITIES OF THE
VARIOUS FINANCIAL ORGANIZATIONS. U.K. FEELS VERY
STRONGLY THAT THE FINANCIAL EXPERTS SHOULD AGREE AMONG
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THEMSELVES ON THE WORK TO BE DONE, AND WHERE, AND THEN

INSURE THAT THEIR REPRESENTATIVES AT THESE ORGANIZATIONS
TAKE THE NECESSARY STEPS TO IMPLEMENT THEIR VIEWS.
BARRATT DID NOT INDICATE ANY GIVE IN U.K. POSITION ON
THIS POINT. OTHER MAIN POINT IS TO AVOID IMPRESSION OF
A CONFRONTATION WITH PRODUCERS.

2. LOOKING FURTHER AHEAD, BARRATT EXPRESSED VIEW THAT
FINANCIAL EXPERTS FROM ECG 8 MIGHT HAVE A LONG-TERM ROLE
TO PLAY INTO THE INDEFINITE FUTURE, I.E., EVEN AFTER A
MEETING OF THE PRODUCER AND CONSUMER COUNTRIES. HE
EXPLAINED THIS IN CRICKET TERMS CALLING THE FINANCIAL
EXPERTS' ROLE ONE OF A "LONG STOP." TRANSLATED
INTO BASEBALL TERMS, THE LONG STOP IS ESSENTIALLY A
SECOND CATCHER FIELDING ANY BALLS THAT MIGHT GET THROUGH
NORMAL CATCHER'S POSITION AT HOME PLATE. ON REFLECTION,
BARRATT CONSIDERED THERE MIGHT BE SEVERAL GAMES GOING ON
I.E., MANY ORGANIZATIONS INVOLVED, AND ECG FINANCIAL
EXPERTS WOULD BE IN A POSITION TO MAKE SURE EVERYTHING
THAT SHOULD BE DONE WAS BEING DONE, BUT ALWAYS
WORKING THROUGH NATIONAL REPRESENTATIVES IN THE ORGANI-
ZATIONS CONCERNED.

3. AS OF 11 A.M., MARCH 11, U.K. TREASURY HAD NOT RE-
CEIVED AGENDA OF MARCH 13-14 MEETING, WAS IN DARK AS TO
HOW OCKRENT PLANNED TO PROCEED. BARRATT SAID U.K. WOULD
NOT RAISE ANY NEW INITIATIVES. ITS POSITION WOULD BE
HELPFUL AND COOPERATIVE, BUT PROBABLY NOT TERRIBLY POSI-
TIVE. DELEGATES PROBABLY WOULD NOT HAVE ANY MINISTERIAL
INSTRUCTIONS. NEW U.K. TREASURY MINISTERS HAVE BEEN
INFORMED THAT THE MEETING IS TAKING PLACE AND THAT U.K.
WILL BE PARTICIPATING, BUT THEY ARE STILL STUDYING
THEIR BRIEFS AND ARE NOT EXPECTED TO ISSUE ANY
INSTRUCTIONS.

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4. IN REPLY TO QUESTION RELATING TO DEVELOPMENTS ON
POINTS OF SUBSTANCE COVERED BY ECG TERMS OF REFERENCE,
BARRATT AID U.K. HAD NOTICED KUWAIT HOLDINGS OF STERLING
HAD INCREASED, BUT HE COULD NOT QUANTIFY THIS. U.K.
EXPECTED THAT OIL FUNDS WERE FLOWING INTO EURODOLLAR
MARKET AND TO THE U.S. AS WELL. IN REPLY TO
QUESTION ABOUT EXTENSION OF STERLING GUARANTEES, BARRATT
SAID MINISTERS ARE STUDYING THEIR BRIEFS. STAFF DOES NOT
KNOW WHAT DECISION THEY WILL TAKE. PERHAPS SOME ANNOUNCE-
MENT COULD BE FORTHCOMING BY THIS FRIDAY OR EARLY NEXT
WEEK. FYI RECALL THAT U.K. INITIALLY HAD CONSIDERED
DISPENSING WITH STERLING GUARANTEES OR ELSE
ATTEMPTING TO LIMIT THEIR APPLICATION TO MAJOR HOLDERS.
MORE RECENTLY, CONSIDERATION HAS BEEN GIVEN TO A FURTHER
UNILATERAL EXTENSION, BUT PERHAPS IN TERMS OF AN EFFECTIVE
WEIGHTED DEVALUATION RATHER THAN IN TERMS OF STERLING
DOLLAR GUARANTEE. INFORMATION ON KUWAIT HOLDINGS AND
STERLING GUARANTEE EXTENSION CONSIDERED CONFIDEN-
TIAL AND SENSITIVE.
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